



Board of Supervisors
County of San Bernardino
San Bernardino, CA

May 31, 2004

Ladies and Gentlemen:

We have audited the compliance of the County of San Bernardino, California (the County), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003 and have issued our report thereon dated May 31, 2004. In planning and performing our audit, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion that the County has complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We have not considered internal control since the date of our report.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized as follows:

HEAD START, CFDA NO. 93.600

CASH MANAGEMENT

OBSERVATION

It was noted during testing that federal funds drawn down were used to cover costs reimbursable by the State of California for a similar program. Under the OMB, A-133 compliance requirements, the recipient of federal funds must utilize procedures that prevent the short-term borrowing of proceeds by other programs. Although, these amounts were immaterial in nature, the existence of this condition increases the risk of noncompliance with the A-133 "Cash Management" requirements.

RECOMMENDATION

We recommend that the County develop and implement procedures to ensure that only the immediate cash needs pertaining to the Head Start federal program are drawn down. For costs shared between both federal and state programs, the County should consider utilizing estimates based on matching requirements or other reasonable means to apply consistent treatment for drawdowns.

COUNTY'S RESPONSE

We concur. The Preschool Services Department (PSD) received State General Child Care funding later than usual due to a delay in the approval of the State budget. State funds were received in December 2002 at which time the Head Start program was reimbursed. Beginning July 1, 2004, Head Start and State General Child Care funding will be blended in order to provide enhanced full-day services to children and families at our Mill Center site. Fifty-two children will be co-enrolled in both programs and all children will receive services based on Head Start Performance Standards. Costs will be allocated quarterly based on enrollment data, service hours and days of operations. This change was submitted with the Head Start Grant Application for approval by the Administration for Children and Families (ACF) on April 1, 2004.

HEAD START, CFDA NO. 93.600

ELIGIBILITY

OBSERVATION

While performing testing over the internal controls over eligibility determinations of program participants, it was noted that the department policies identify various internal controls to document eligibility determinations. However, it was noted that the internal controls were not consistently applied. One such control subject to this circumstance was the review of eligibility determinations and case files by the program supervisor. The represented procedure was that each file is periodically reviewed, evidenced by a program supervisor's signature. However, during our testing, it was noted that supervisor's signatures were missing in some cases. As a result, the risk of noncompliance with eligibility requirements is increased.

RECOMMENDATION

Given that policies and procedures exist, we recommend that the department ensure that caseworkers and program supervisors adhere to these standards. Accountability for compliance with the department's policies and procedures should be maintained and enforced.

COUNTY'S RESPONSE

We concur. PSD installed a computerized tracking system at the beginning of the 2003/2004 program year that tracks all required Head Start services for the over 4300 funded slots at PSD. This system contains a "Management Reports" section that summarizes the current status of all delivery requirements for all enrolled children. PSD is currently utilizing this "report" section to identify, track, and manage delivery of services to children and families on a monthly basis.

HEAD START, CFDA NO. 93.600

REPORTING

OBSERVATION

As specified in the financial assistance award and ACF program manual, the fiscal officer of the Department may not sign the required SF-269 Financial Status Report, even if this individual compiles the information. During fiscal year 2002-03, the fiscal officer signed the department's Financial Status Reports.

RECOMMENDATION

We recommend that the department transfer the signatory authority of the SF-269 Financial Status Reports to the Executive Director. Although fiscal personnel compile the financial information, the Financial Status Reports should be reviewed and approved by the fiscal officer prior to review of the Executive Director (or authorized representative outside of the fiscal function).

COUNTY'S RESPONSE

We concur. Preschool Services transferred signatory authority of the SF-269 Financial Status Report (FSR) to the Executive Director immediately following the single audit field visit. The Executive Director authorized and signed the Final SF-269 FSR for fiscal year 2002-03 on September 26, 2003.

FOOD STAMPS CLUSTER, MEDICAID CLUSTER, TANF, AND ADOPTION ASSISTANCE

ALLOWABLE COSTS

OBSERVATION

The Fiscal year 2003 grant agreement with the State of California requires the County to submit the County Expense Claim (CEC) for program administrative costs to the State of California on a quarterly basis for reimbursement. The CEC is used by the County to allocate payroll expenditures to various Federal programs within the County's Health Services System (HSS) Department. Payroll hours incurred for specific programs are charged directly to the respective program. However, administrative payroll hours (sick leave, etc) are pooled and allocated to the Federal programs on the basis of direct hours incurred.

The County submits the CEC for program administrative costs to the State of California on a quarterly basis for reimbursement. Caseworkers complete time study forms, which are compiled into a time study summary report that is used to allocate the payroll expenditures to the various federal programs in the CEC. Of the 57 employee time study transactions selected from the quarterly time study reports for testwork, we noted 6 instances whereby the employee's leave-time reported on the Time and Labor Report (TLR) did not agree to the quarterly time study summary reports. The TLR is completed and signed by the employee and reviewed and signed by a supervisor each pay period. As a result of these discrepancies, the ratios used to allocate payroll expenditures to the various Federal programs on the CEC may be inaccurate. Specifically, there are costs that should have been included in the administrative cost pool for allocation but instead were directly applied to Federal programs. The amount of the overall discrepancy based on our sample was not significant.

RECOMMENDATION

We recommend that the County review the current preparation process for the quarterly time summary reports and implement formal reconciliation and review procedures of the TLR and the time study reports in order to ensure the accuracy of the time study summary reports. This will help ensure that the amounts claimed for reimbursement for each of the federal programs included in the CEC are accurate.

COUNTY'S RESPONSE

HSS Management has put measures in place to reduce time study errors. Due to the timing of the audit, the measures were not reflected in the last audit. The following measures have been taken:

1. HSS has enhanced the Eligibility Time Study application by adding more options for recording non-allocable time to allow for detailed reports which management can use to monitor staff adherence to Time Study instructions.
2. Staff has received instructions emphasizing the importance and effect of the time study on the expense claim and funding.
3. Supervisors have received additional training in the review of time studies.
4. The HSS Auditing division conducts sample reviews of time studies on a quarterly basis and reports results to management for corrective action.
5. HSS executive management meets with supervisors and/or their staff who continue to have errors on their time studies.

Our audit procedures are designed primarily to enable us to form an opinion on the County's compliance with the requirements that are applicable to each of its major federal programs for the year ended June 30, 2003, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the County gained during our work to make comments and suggestions that we hope will be useful to you.

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We would be pleased to discuss these comments and recommendations with you at any time.

This report is intended solely for the information and use of the Board of Supervisors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Vavreck, Trine, Day & Co, LLP

Rancho Cucamonga, California
May 31, 2004